

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /093 W

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R 201129Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6605

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 02883

E.O. 11652: GDS

TAGS: PFOR, PINT, EEC, EFIN, ENRG, FR, GW, UK

SUBJ: EC-RELATED ISSUES AT NICE SUMMIT

REF: (A) PARIS 4624; (B) PARIS 4797

1. SUMMARY: CHANCELLERY OFFICIAL SAYS THAT SCHMIDT-GISCARD TALKS REVIEWED DIFFERENCES ON BASIC AGRICULTURAL ISSUES (DISPOSAL OF NFDN SURPLUSES AND LEVEL OF 1976/77 SUPPORT PRICES) AND MADE SOME PROGRESS ON AGREEMENT TO REGULATE FINANCING OF EXPORT CREDITS. HE ALSO EXPLAINS WHY CHANCELLOR WANTS BRITON TO BECOME NEXT PRESIDENT OF EC COMMISSION. END SUMMARY.

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2. FEBRUARY 18 CHANCELLERY OFFICIAL, WHO WAS NOT IN NICE BUT HAD READ REPORTS OF PLENARY SESSIONS, TOLD EMBOFF THAT TALKS COVERED SEVERAL EC-RELATED AREAS. (SEPTEL REVIEWS GENSCHER-SAUVERNARGUES MEETING).

3. AGRICULTURE. SCHMIDT AND GISCARD DID NOT ADDRESS ISSUES IN GREAT DETAIL BUT DIRECTED MINISTERS ERTL AND BONNET TO WORK OUT COMPROMISE IN COURSE OF ONGOING BRUSSELS NEGOTIATIONS TO SET FARM SUPPORT PRICES FOR 1976/77.

A. FRENCH SIDE IN GENERAL ARGUED FOR HIGHER PRICES, IN PARTICULAR FOR DAIRY PRODUCTS. PREMIER CHIRAC CLAIMED THAT GOF, IN CONTRAST TO FRG, MUST PAY CLOSE HEED TO DEMANDS OF ITS POLITICALLY POTENT FARM LOBBY. (FONMINISTRY ASSISTANT SECRETARY LAUTENSCHLAGER TOLD US IN SEPARATE CONVERSATION THAT HE HAD BEEN STRUCK BY AMOUNT OF TIME WHICH NICE TALKS SPENT ON AGRICULTURE.) HE THOUGHT CHIRAC'S PRESENTATION HAD MADE SCHMIDT MORE AWARE OF POLITICAL DIMENSION OF FARM ISSUES IN FRANCE). FRENCH REITERATED SUPPORT FOR EC-FUNDED MEANS TO DISPOSE OF SURPLUSES AND REJECTED FRG CALL FOR "PRODUCER CORESPONSIBILITY" WHEREBY THOSE WHO PRODUCE SURPLUSES WOULD RECEIVE A REDUCED SUPPORT PRICE FOR THEIR PRODUCT.

B. GERMANS IN TURN CALLED FOR LOWER PRICE HIKES FOR 1976/77 BUT -- REFLECTING DIFFERENT EFFICIENCY LEVELS OF FRENCH AND GERMAN AGRICULTURE -- SOUGHT TO TRIM MILK SURPLUSES RADICALLY WHILE KEEPING GRAIN SUPPORTS AT HIGHER LEVEL. TWO SIDES FAILED TO AGREE ON MECHANISM FOR DISPOSING OF NON-FAT-DRIED MILK (NFDM) SURPLUS: FRENCH SUPPORTED RECENT COMMISSION PROPOSALS, WHILE GERMANS HAD DIFFICULTY WITH THEM.

4. EXPORT CREDIT FINANCING. OFFICIAL SAID THAT FRG AND GOF HAD NARROWED SUBSTANTIVE DIFFERENCES BUT

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 02883

REMAINED DIVIDED ON PROCEDURE FOR REGULATING THIS FINANCING. READING FROM FRIDERICH'S REPORT OF TALKS WITH FOURCADE, HE SAID THAT GOF AGREED TO 8 PERCENT INTEREST RATE FOR CREDITS TO WELL-OFF COUNTRIES AND 7.5 PERCENT RATE TO POORER COUNTRIES. FRG AND GOF DID NOT, HOWEVER, AGREE ON MECHANISM FOR SETTING UP THIS AGREEMENT.

5. ENERGY. THOUGH CHANCELLOR HAD NOT YET PREPARED NOTES ON HIS PRIVATE TALKS WITH GISCARD, OFFICIAL SAID THAT FRG BUREAUCRACY HAD EXPECTED HIM TO RAISE ENERGY ISSUES. HE COMMENTED THAT FRG NOW BELIEVES IT CONFIDENTIAL

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ERRED IN ASSUMING THAT GISCARD HAD ACCEPTED MSP AT LAST DECEMBER'S EUROPEAN COUNCIL. AT NICE, GOF OFFICIALS HAD TAKEN GO-SLOW ATTITUDE ON MSP AND ACCESS TO NORTH SEA OIL, CLAIMING THAT GISCARD HAD RESERVED TO HIMSELF DECISION ON SUCH MATTERS. FRG REPS SENSED THAT GOF AVERSION TO ASSOCIATION WITH IEA, EVEN INDIRECTLY, REMAINS STRONG.

6. ASKED ABOUT SCHMIDT'S PUBLIC REMARK IN LONDON THAT UK SHOULD PROVIDE NEXT EC COMMISSION PRESIDENT,

OFFICIAL SAID FRG HAS NO SPECIFIC PREFERENCE OTHER
THAN THAT NEXT MAN COME FROM LABOUR PARTY AND HAVE
POLITICAL STATUS IN UK. SCHMIDT SEES THIS PROPOSAL
AS TWO-EDGED: SUCH AN INDIVIDUAL WOULD DEEPEN
BRITISH ROLE IN EC AND MAKE IT MORE DIFFICULT FOR
LABOUR GOVERNMENT TO DISTANCE ITSELF FROM EC DECISIONS.
HE DID NOT KNOW WHETHER SCHMIDT HAD RAISED IDEA WITH
GISCARD BUT SAID FRG WILL PURSUE IT AT JUNE MEETING
OF EUROPEAN COUNCIL.
HILLENBRAND

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